

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

ANNUAL FINANCIAL REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010
WITH SUPPLEMENTAL INFORMATION SCHEDULES
AND
ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officers. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/7/11

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANTS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

CONTENTS

	<u>STATEMENT</u>	<u>PAGE</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS		1-3
INDEPENDENT ACCOUNTANTS' REVIEW REPORT		4
BASIC FINANCIAL STATEMENTS:		
Proprietary Fund:		
Statements of Net Assets	A	5
Statements of Revenues, Expenses and Changes in Net Assets	B	6
Statements of Cash Flows	C	7-8
Notes to the Financial Statements		9-17
	<u>SCHEDULE</u>	
SUPPLEMENTAL INFORMATION SCHEDULES:		18
Schedule of Water Rates	1	19
Schedule of Insurance Coverage	2	20
Compensation Paid Board Members	3	21
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES		22-24
SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2010		25

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANTS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010**

SUMMARY SCHEDULE OF PRIOR FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2010	26
LOUISIANA ATTESTATION QUESTIONNAIRE	27-28

EAST RICHLAND WATERWORKS DISTRICT
(A Component Unit of the Richland Parish Police Jury)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the East Richland Waterworks District (the District) presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$231,036 (net assets).
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$109,211 include property and equipment, net of accumulated depreciation, and reduced for any outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net assets of \$82,705 represent the portion available to maintain the District's continuing obligations to customers and creditors.
 - (3) Restricted net assets of \$39,120 due from debt covenants. The assets are restricted for debt service and capital improvements.
- Total expenditures of \$410,940 exceeded total revenues of \$400,914, which resulted in a current year operating loss of \$10,026, compared to the prior year's operating income of \$15,736.

Total operating revenues increased by \$63,484 from the prior year, mainly from an increase in water rates and increase in customer usage, and operating expenses increased by \$89,246 from the prior year, due to increased expenses and broken water lines during 2010.

OVERVIEW OF ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of East Richland Waterworks District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

EAST RICHLAND WATERWORKS DISTRICT
(A Component Unit of the Richland Parish Police Jury)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Revenues, Expenses, and Changes in Net Assets accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in each resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes key information schedules on operations of the district.

FINANCIAL ANALYSIS OF THE DISTRICT

	<u>2010</u>	<u>2009</u>
Current Assets	\$110,863	\$118,936
Restricted Assets	65,810	62,981
Capital Assets	<u>145,115</u>	<u>156,783</u>
Total Assets	321,788	338,700
Total Liabilities	<u>90,752</u>	<u>95,865</u>
Net Assets:		
Invested Capital Assets, Net of Debt	109,211	114,196
Restricted	39,120	39,081
Unrestricted	<u>82,705</u>	<u>89,558</u>
Total Net assets	<u>\$231,036</u>	<u>\$242,835</u>

Net assets of the District decreased by \$11,799 from December 31, 2009 to December 31, 2010.

EAST RICHLAND WATERWORKS DISTRICT
(A Component Unit of the Richland Parish Police Jury)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS, CONTINUED

	<u>2010</u>	<u>2009</u>
Operating Revenues	\$400,914	\$337,430
Operating Expenses	<u>410,940</u>	<u>321,694</u>
Operating Loss	(10,026)	15,736
Non-operating revenues (Expenses)	<u>(1,773)</u>	<u>(1,761)</u>
Net increase (decrease) in net assets	<u><u>\$(11,799)</u></u>	<u><u>\$ 13,975</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2010, the District had \$145,115, net of accumulated depreciation, invested in a broad range of capital assets, including water lines and office equipment (See Table below)

	<u>2010</u>	<u>2009</u>
Water Lines	\$ 292,150	\$ 292,150
New lines and equipment	143,876	143,876
Office equipment	8,333	8,333
Less Accumulated depreciation	<u>(299,244)</u>	<u>(287,576)</u>
Totals	<u><u>\$ 145,115</u></u>	<u><u>\$ 156,783</u></u>

The District purchased no capital assets during the year ended December 31, 2010.

Debt

The District has one loan outstanding to Farmers Home Administration. The debt originated in 1977 to construct water lines. The District made principal reductions of \$6,683 for the year ended December 31, 2010.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ms. Lynda Best, Clerk, 136 Hwy. 855, Delhi, LA 71232.

INDEPENDENT ACCOUNTANTS' REPORT

BOARD OF COMMISSIONERS
EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA

We have reviewed the accompanying financial statements of the business-type activities of East Richland Waterworks District, a component unit of Richland Parish Police Jury, as of and for the year ended December 31, 2010 and 2009. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 3 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. Accordingly, we do not express an opinion or any other form of assurance on it.

Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying Schedules 1, 2, and 3 are presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

The Robinette Firm, APAC

The Robinette Firm, A Professional Accounting Corporation

Monroe, Louisiana
June 23, 2011

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

STATEMENT A

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANTS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010**

STATEMENTS OF NET ASSETS

ASSETS	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 38,289	\$ 53,330
Investments	32,193	32,035
Accounts receivable - net of allowance of \$2,241 and \$2,060 in 2010 and 2009, respectively	37,428	31,397
Other receivables	2,025	1,270
Prepaid expenses	<u>928</u>	<u>904</u>
Total current assets	<u>110,863</u>	<u>118,936</u>
Restricted assets:		
Cash-Customer deposits	26,690	23,900
Cash-Bond depreciation and Contingency	22,094	22,072
Cash-Bond reserve	<u>17,026</u>	<u>17,009</u>
Total restricted assets	65,810	62,981
Capital Assets (net of accumulated depreciation)	<u>145,115</u>	<u>156,783</u>
TOTAL ASSETS	<u>\$321,788</u>	<u>\$338,700</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 17,481	\$ 20,043
Accrued salaries and other expenses	10,215	8,705
Interest payable on long-term debt	462	630
Customer deposits	26,690	23,900
Current maturities of long-term debt	<u>6,324</u>	<u>6,023</u>
Total current liabilities	61,172	59,301
Bonds payable	<u>29,580</u>	<u>36,564</u>
Total liabilities	<u>90,752</u>	<u>95,865</u>
Net assets:		
Invested in capital assets, net of related debt	109,211	114,196
Restricted for debt service and capital improvements	39,120	39,081
Unrestricted	<u>82,705</u>	<u>89,558</u>
Total Net Assets	<u>231,036</u>	<u>242,835</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$321,788</u>	<u>\$338,700</u>

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

STATEMENT B

BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANTS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$372,368	\$328,343
Grant revenue	-	-
Other fees and charges	<u>28,546</u>	<u>9,087</u>
Total operating revenues	<u>400,914</u>	<u>337,430</u>
OPERATING EXPENSES		
Administrative	5,531	6,042
Bad debt expense	(836)	859
Depreciation	11,668	11,792
Directors fees	6,000	6,000
Insurance	7,364	5,562
Operator fees	62,340	33,210
Other expenses	6,493	5,188
Professional fees	4,200	4,090
Repairs and maintenance	12,488	9,619
Salaries and wages	41,489	58,425
Taxes and licenses	3,343	4,578
Utilities	2,684	3,112
Water and sewer purchases	<u>248,176</u>	<u>173,217</u>
Total operating expenses	<u>410,940</u>	<u>321,694</u>
OPERATING INCOME (LOSS)	(10,026)	15,736
NON-OPERATING REVENUES (EXPENSES)		
Interest income	270	522
Interest expense	<u>(2,043)</u>	<u>(2,283)</u>
Total non-operating revenues (expenses)	<u>(1,773)</u>	<u>(1,761)</u>
NET CHANGE	(11,799)	13,975
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>242,835</u>	<u>228,860</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$231,036</u>	<u>\$242,835</u>

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

STATEMENT C

FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANTS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

STATEMENT OF CASH FLOWS

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and grants	\$397,753	\$331,687
Cash paid to suppliers and employees	(366,404)	(270,137)
Cash paid to others for services, taxes, etc.	<u>(34,779)</u>	<u>(33,249)</u>
Net cash provided (used) by operating activities	<u>(3,430)</u>	<u>28,301</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	-
Acquisition and construction of capital assets	-	(1,475)
Principal paid on long-term bonds	(6,683)	(6,417)
Interest on long-term bonds	<u>(2,211)</u>	<u>(2,477)</u>
Net cash used for capital financing activities	<u>(8,894)</u>	<u>(10,369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on deposits	231	483
Purchase long-term certificate of deposit	(158)	(340)
Transfer to restricted account	(2,790)	(1,855)
Transfers to reserve accounts	<u>-</u>	<u>(228)</u>
Net cash (used for) provided by investing activities	<u>(2,717)</u>	<u>(1,940)</u>
NET INCREASE (DECREASE) IN CASH	<u>(15,041)</u>	<u>15,992</u>
CASH AT BEGINNING OF YEAR	<u>53,330</u>	<u>37,338</u>
CASH AT END OF YEAR	<u>\$ 38,289</u>	<u>\$ 53,330</u>

The accompanying notes are an integral part of this statement.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

STATEMENT C

**FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANTS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010**

STATEMENT OF CASH FLOWS

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$(10,026)	\$15,736
Adjustments to reconcile operating income to net cash provided by operating activities:		
Bad debt expense	(836)	859
Depreciation	11,668	11,792
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,195)	(6,801)
(Increase) decrease in other receivables	(755)	(604)
(Increase) decrease in prepaid expenses	(24)	95
Increase (decrease) in accounts payable	(474)	4,654
Increase (decrease) in accrued expenses	(578)	715
Increase in customer deposits	<u>2,790</u>	<u>1,855</u>
Total adjustments	<u>6,596</u>	<u>12,565</u>
Net cash provided (used) by operating activities	<u>\$(3,430)</u>	<u>\$28,301</u>

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

INTRODUCTION

East Richland Waterworks District (the District) was created by the Richland Parish Police Jury, as authorized by Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950. The District is governed by a five-member board appointed by the police jury. The District is responsible for maintaining and operating the water distribution system within the boundaries of the district. The District employs 5 persons as well as an operator on a contract basis to operate the water system. At December 31, 2010, the District had 702 residential customers.

GASB Statement No. 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the East Richland Waterworks District is considered a component unit of the Richland Parish Police Jury.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, Basic Financial statements, Management's Discussion and Analysis, for State and Local Governments. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations, primarily the provision of water to rural areas of Richland Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

B. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law, or any other state of the United States, or under the laws of the United States.

C. INVESTMENTS

Investments are limited by Louisiana RS 33:2955 and the District's investment policy. If the original maturities of investment exceed ninety days, they are classified as investments; however, if the original maturities are ninety days or less, they are classified as cash equivalents.

D. ACCOUNTS RECEIVABLE

Receivables for water sales are shown net of an allowance for uncollectible accounts. The allowance is an estimate based on the amount of receivables that are past due and historical collection rates.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. PREPAID ITEMS

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist primarily of prepaid insurance premiums.

F. RESTRICTED ASSETS

Certain proceeds of the water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

G. CAPITAL ASSETS

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$300, and an estimated useful life in excess of the year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15-30 years
Equipment & Furniture	3-7 years
Water System	20-40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of these assets constructed.

H. VACATION AND SICK LEAVE

The District's five part-time employees receive no vacation and sick leave each year.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

I. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. NET ASSETS

GASB Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - this component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

K. USE OF ESTIMATES

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

At December 31, 2010, the District has cash and cash equivalents (book balances), savings and investments in certificates of deposits as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 64,779	\$ 77,231
Savings	39,120	39,081
Time deposits	<u>32,193</u>	<u>32,035</u>
total	<u>\$136,092</u>	<u>\$148,347</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2010, the District has \$136,109 in deposits (collected bank balances) at two local banks. These deposits are secured from risk by \$136,109 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has no formal policy for managing custodial credit risk but the District's practice is to eliminate this risk by requiring financial institutions to pledge their own securities to cover any amount in excess of federal deposit insurance.

Pledged securities in GASB Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - INVESTMENTS

At December 31, 2010 and 2009, the District's investment balances were in certificates of deposit. The investments are carried at cost, which approximates market value.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

NOTE 4 - ACCOUNTS RECEIVABLE

At December 31, 2010 the District has net receivables of \$37,428 as follows:

	<u>2010</u>	<u>2009</u>
Water Sales	\$39,669	\$33,457
Less: Allowance for uncollectible accounts	<u>2,241</u>	<u>2,060</u>
Net receivables	<u>\$37,428</u>	<u>\$31,397</u>

NOTE 5 - CAPITAL ASSETS

A summary of the changes in Capital assets is as follows:

	<u>2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>2010</u>
Water lines	\$292,150			\$292,150
New Lines and Equipment	143,876	0	0	143,876
Office Equipment	<u>8,333</u>	<u>0</u>	<u>0</u>	<u>8,333</u>
Total	<u>444,359</u>	<u>0</u>	<u>0</u>	<u>444,359</u>
Accumulated Depreciation	<u>287,576</u>	<u>11,668</u>	<u>0</u>	<u>299,244</u>
Net Capital Assets	<u>\$156,783</u>			<u>\$145,115</u>

	<u>2008</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>2009</u>
Water lines	\$292,150			\$292,150
New Lines and Equipment	143,876			143,876
Office Equipment	<u>8,880</u>	<u>1,475</u>	<u>2,022</u>	<u>8,333</u>
Total	<u>444,906</u>	<u>1,475</u>	<u>2,022</u>	<u>444,359</u>
Accumulated Depreciation	<u>277,806</u>	<u>11,792</u>	<u>2,022</u>	<u>287,576</u>
Net Capital Assets	<u>\$167,100</u>			<u>\$156,783</u>

Depreciation expense amounted to \$11,668 and \$11,792 for the years ended December 31, 2010 and 2009.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

NOTE 6 - PENSION PLAN

The District's three part-time employees are members of the Social Security System. In addition to employer contributions withheld at 7.65 per cent of gross salary, the District contributes an equal amount to the Social Security System. The District does not guarantee the benefits granted by the Social Security System.

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt transactions for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Bonds payable at January 1,	\$42,587	\$49,004
Additions	-	-
Principal reductions	<u>(6,683)</u>	<u>(6,417)</u>
Bonds payable at December 31,	<u>\$35,904</u>	<u>\$42,587</u>

The bonds bear interest at a rate of 5%. The water revenue bond is secured by a pledge of the water revenues of the system.

The bonds are scheduled to mature as follows:

	<u>Principal</u>	<u>Interest</u>
2011	6,324	2,570
2012	6,640	2,254
2013	6,972	1,922
2014	7,321	1,573
2015	7,687	1,207
2016 and years thereafter	<u>960</u>	<u>1,242</u>
	<u>\$35,904</u>	<u>\$10,768</u>

NOTE 8 - LITIGATION AND CLAIMS

The District was not involved in any litigation at December 31, 2010, nor is it aware of any unasserted claims.

NOTE 9 - FEDERAL PROGRAMS AND RESTRICTED CASH

During the year ended December 31, 1977, the District received two loans from Farmers Home Administration (CFDA 10.418) in the combined amount of \$260,000. During the year ended December 31, 1993, one of the loans was repaid in its entirety. The remaining loan is included in long-term debt on the accompanying balance sheet. The loan agreement requires the establishment of the following accounts by the District to meet the reserve requirements of all loans:

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

NOTE 9 - FEDERAL PROGRAMS AND RESTRICTED CASH, continued

- A. A "Revenue Bond Reserve Fund." The District must transfer into this fund, each month an amount equal to 5% of the annual debt service requirement until a sum equal to the highest annual debt service in any one year is on deposit in the fund. The deposits in the fund are to be used solely for the payment of principal and interest in the event sufficient deposits are not available in the District's funds.
- B. A "Depreciation for Contingency Fund." The District must transfer \$30 into this fund each month. The deposits in this fund may be used by the District for unusual or extraordinary maintenance, repairs, replacements and extensions and for the costs of improvements to the system which will either enhance its revenue-producing capacity or provide a higher degree of service. The deposits may also be used to pay principal and interest when insufficient amounts are available in either of the above funds.

The following is a summary of transactions in the reserve accounts for the years ended December 31, 2010:

	<u>Bond Reserve</u>	<u>Depreciation Contingency</u>
Balance at December 31, 2008	\$16,992	\$21,822
Additions:		
Deposits	-	228
Interest earnings	<u>17</u>	<u>22</u>
Balance at December 31, 2009	\$17,009	\$22,072
Additions:		
Deposits	-	-
Interest earnings	<u>17</u>	<u>22</u>
Balance at December 31, 2010	<u>\$17,026</u>	<u>\$22,094</u>

NOTE 10 - RISK MANAGEMENT

In the ordinary course of business the District is at risk for property damage, liability and theft. The district provides insurance coverage through commercial insurance companies.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2010**

NOTE 11 - ECONOMIC DEPENDENCE AND CREDIT CONCENTRATION

The District supplies water to residents in East Richland Parish. The district purchases all of its water supply from the Town of Delhi.

The District's customers are concentrated in East Richland Parish. The balance of receivables due from these customers is \$39,669.

NOTE 12 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 23, 2011, which is the date the financial statements were available to be issued.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

DECEMBER 31, 2010

SUPPLEMENTAL INFORMATION SCHEDULES

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

DECEMBER 31, 2010

SUPPLEMENTAL INFORMATION SCHEDULE

SCHEDULE 1

SCHEDULE OF WATER RATES

<u>Classification</u>	<u>Tariff</u>	<u>Rate</u>
Residential	Monthly minimum for 2,000 gallons	\$ 19.50
	2,000 - 4,000 gallons	19.50 + 4.30/1,000
	4,000 gallons and up	36.70 + 4.40/1,000
Two-line Residential	Monthly minimum for 4,000 gallons	\$ 39.00
	4,000 - 6,000 gallons	39.00 + 4.30/1,000
	Over 6,000 gallons	47.60 + 3.65/1,000
Commercial	0 - 15,000 gallons	\$61.25
	15,000 gallons and up	61.25 + 4.40/1,000
Bayou Macon Contract	Per 1,000 gallons	\$ 2.87
Government	Monthly minimum for 15,000 gallons	\$ 61.25
	15,000 gallons and up	61.25 + 4.40/1,000

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

SCHEDULE 2

SUPPLEMENTAL INFORMATION SCHEDULE

SCHEDULE OF INSURANCE COVERAGE

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Liability	American Alternative Ins. Co.	SDISSP9153822	\$1,000,000/ \$3,000,000	February 11, 2011
Fire	American Alternative Ins. Co.	SDISSP9153822	\$1,000,000	February 11, 2011
Medical Payments	American Alternative Ins. Co.	SDISSP9153822	\$ 10,000	February 11, 2011
Fidelity Bond	CNA Surety	161052203	\$ 30,000	September 19, 2011
Automobile (hired & non-owned)	American Alternative Ins. Co.	SDISSA8053163	\$1,000,000	February 11, 2011
Umbrella	American Alternative Ins. Co.	SDISSX92011090	\$1,000,000	February 11, 2011
Worker's Comp	LUBA Casualty Insurance Co.	28000016569110	\$1,000,000	February 11, 2011

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

SCHEDULE 3

**SUPPLEMENTAL INFORMATION SCHEDULE
FOR THE TWO YEARS ENDED DECEMBER 31, 2010**

COMPENSATION PAID BOARD MEMBERS

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

	<u>2010</u>	<u>2009</u>
Donald Green	\$1,200	\$1,200
Richard King	1,200	1,200
Clarence McCall	1,200	1,200
Mary Jo Clack	1,200	1,200
Shane Lester	<u>1,200</u>	<u>1,200</u>
	<u>\$6,000</u>	<u>\$6,000</u>

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management of East Richland Waterworks District

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of East Richland Waterworks District and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about East Richland Waterworks District's compliance with certain laws and regulations during the year ended December 31, 2010 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures that exceeded \$20,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as *immediate family members*.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

The District operates as an enterprise fund and is not required to adopt a budget.

6. Trace the budget adoption and amendments to the minute book.

The District operates as an enterprise fund and is not required to adopt a budget.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5 % or more or if actual expenditures exceed budgeted amounts by 5% or more.

The district operates as an enterprise fund and is not required to adopt a budget.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

The six selected payments were properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the bookkeeper and a Board member. A payroll check was selected in the sample that did not have proper approval of a supervisor indicated on the time sheet.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

We observed a meeting notice printed on the monthly water bills for June and October 2010.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We reviewed a listing of all bank deposits for the period under examination. We selected all deposits > \$5,000 or with unusual descriptions and inspected copies of the bank deposit slips and other documentation. We noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the District for the year indicated no items of bonuses, advances or gifts. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of East Richland Waterworks District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

The Robinette Firm, APAC

The Robinette Firm, A Professional Accounting Corporation

Monroe, LA

June 23, 2011

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2010

2010-1 Time Sheet Approval

We noted one time sheet with no indication of appropriate approval. The time sheet had a line for supervisor approval but the line was blank. We recommend that office personnel be instructed to check for appropriate approval of time sheets prior to processing payroll checks.

Corrective Action Plan: We will endeavor to make sure that each and every time sheet is properly inspected and approved before processing the payroll checks.

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
For the year ended December 31, 2010**

REPORTABLE CONDITIONS

2002-1 Inadequate Segregation of Duties

Status: Deficiency in internal control is not resolved.

INSTANCES OF NONCOMPLIANCE

2009-1 Time Sheet Missing Approval

Status: See finding 2010-1

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

6-7-11 (Date Transmitted)

The Robinette Firm, A Professional Accounting Corporation
P. O. Box 7350
99A Lakeshore Drive
Monroe, LA 71211-7350 (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of 6-7-11 (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.
Yes ☒ No ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.
Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.
Yes ☒ No ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-16), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.
Yes ☒ No ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.
Yes ☒ No ☐

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.
Yes ☒ No ☐

We have had our financial statements reviewed in accordance with R.S. 24:513.
Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R. S. 42:1 through 42:13.

Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes ☒ No ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

<u>Richard E. King</u>	<u>President</u>	<u>6-7-11</u>
Date	Secretary	
<u>Donald Gray</u>	<u>Treasurer</u>	<u>6-7-11</u>
Date		
<u>Clarence McCall</u>	<u>Secretary</u>	<u>6-7-11</u>
Date	President	